1

1   UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3   In the Matter of:)

4   ) File No. B-03221-A

5   LBRY   )

6

7   WITNESS: Jeremy Kauffman

8   PAGES: 1 through 357

9   PLACE: Securities and Exchange Commission

10   New York Regional Office

11   200 Vesey Street, 4th Floor

12   New York, New York 10281

13 DATE: Thursday, June 13, 2019

14

15   The above-entitled matter came on for a hearing,

16 pursuant to notice, at 9:10 a.m.

17

18

19

20

21

22

23

24   Diversified Reporting Services, Inc.

25   (202) 467-9200

25

1   beginning of 2016.

2   Q   So just when we go today and we talk

3   about LBRY, I'm going -- so there's LBRY, Inc.,

4   which is the corporation. And when I use the

5   phrase "LBRY" or the word "LBRY" -- I don't know

6   if you call it a word, or you call it something

7   else -- the title --

8   A   "Word" is fine.

9   Q   L-B-R-Y, I'm going to refer to the

10 company, LBRY, Inc., and I ask you to do the

11 same. If you're going to be talking about

12 something else, like LBRY protocol or LBRY

13 application or something else that is not the

14 corporation, would you please just so designate.

15 I'll try to do the same. So when I use "LBRY", I

16 mean the company. Does that make sense?

17   A   So to be clear, if we're using LBRY

18 without any adornment or qualifier, we're

19 intending to refer to LBRY, Inc., the company?

20   Q   Correct.

21   A   Understood.

22   Q   All right. So who started LBRY, Inc.?

23   A   Jimmy Kiselak.

24   Q   And who is that?

25   A   A friend of mine from college.

35

1   multiple pieces of software that enable that

2   network to happen?

3   A   Well, BitTorrent is also a protocol.

4   So once something is a protocol, you have a set

5   of rules, and any number of pieces of software,

6   so long as they're following the rules and

7   interact with it.   So there's probably dozens of

8   discreet implementations, if not more of

9   BitTorrent.

10   Q   So with respect to LBRY, you're saying

11   that LBRY's mission needed LBRY protocol; is that

12   right?

13   A   Yes.

14   Q   All right.   What other components did

15   LBRY need to build in order to create this

16   decentralized distribution system?

17   A   In order -- in terms of the protocol

18   itself, you basically need the blockchain

19   component and the data-network component.   And

20   that is the protocol.

21   Q   So was the protocol in of itself the

22   only goal that LBRY was trying to accomplish?

23   A   Can you clarify the question?

24   Q   Sure.   So LBRY was -- you said the

25   mission was to create a -- what -- a

36

1   decentralized content -- digital content

2   distribution system; is that right?

3   A   Yeah.

4   Q   All right. And you're saying that to

5   do that, LBRY needed to create a blockchain or a

6   protocol; is that right?

7   A   The blockchain is part of the

8   protocol.

9   Q   All right. So you needed to create a

10   protocol; is that right?

11   A   Yeah.

12   Q   Did LBRY have any other sort of goals

13   in order to create -- or technical pieces to

14   satisfy its mission?

15   A   Can somebody -- you have to do the --

16   yes, you have to do other things, or you can't --

17   if you make -- if you make something, you don't

18   tell anyone about it, for example, no one will

19   use it.

20   Q   Okay. So you're saying that LBRY

21   needs to publicized its protocol?

22   A   That would be an example of something

23   that I think is necessary.

24   Q   Let me try to see if -- is the -- my

25   understanding is that LBRY was trying to create a

38

1   Q   I'm not only referring to, like, a GUI

2   application or something.

3   A   Okay.

4   Q   I just -- there are -- there's a way

5   in which a user is going to interact with the

6   protocol, and that was something that LBRY was

7   trying to develop; is that correct?

8   A   Correct.

9   Q   And you mentioned -- is it a demon, or

10 a daemon?

11   A   Daemon.

12   Q   Daemon, okay. And what's a daemon?

13   A   A daemon is a software process that

14 runs in the background. So your operating system

15 launches it and uses it, but it's not visible to

16 you as a user.

17   Q   And has LBRY developed a daemon that

18 involves either the GUI application or the

19 protocol?

20   A   So the GUI application is basically

21 the equivalent of a website, it's Java script and

22 HTML, and it's bundled with the daemon. The

23 daemon enables any application. Once the daemon

24 has been installed in the machine, any number of

25 applications now have the ability to use LBRY

39

1   functionality.

2   Q   And who developed the daemon

3   associated with the LBRY protocol?

4   A   Many of the same developers that I've

5   already named.

6   Q   So like Jack Robinson, Alex. Anybody

7   else?

8   A   Jimmy.

9   Q   Jimmy?

10   A   Yeah.

11   Q   Who is -- I don't want to butcher his

12   name -- Lex Berezhny?

13   A   Lex is currently our lead developer on

14   the LBRY daemon.

15   Q   And what is his responsibilities?

16   A   He maintains that software package,

17   develops it, merges changes, reviews code

18   changes; all of those things.

19   Q   And has he been focused on the daemon

20   for his entire time at LBRY?

21   A   Yes.

22   Q   And does Jack Robinson have a current

23   focus at LBRY?

24   A   Jack is also -- Jack is on the same

25   team as Lex.

40

1   Q   So their focus is on the daemon; is

2   that right?

3   A   Yes.   We call them protocol engineers.

4   They're focused on the LBRY protocol.

5   Q   Do they also work on the protocol

6   itself?

7   A   Yes.   The daemon is an implementation

8   of the protocol.   So you have the protocol, which

9   is the definition of how everything works, and

10   then you have an implementation of the protocol.

11   Q   In terms of in GitHub -- what is

12   GitHub?

13   A   GitHub is a software service product

14   for managing Git repositories.

15   Q   And how does LBRY use GitHub?

16   A   LBRY uses GitHub to manage its Git

17   repositories.

18   Q   And what is a Git repository?

19   A   A Git repository is a system for

20   managing software code changes.

21   Q   And is the daemon on GitHub, or is

22   there a repository on GitHub?

23   A   Yes, it's on GitHub.   Git is a

24   protocol, GitHub is an application.

25   Q   Jeremy, I'm handing you what's been

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

41

1   marked as Exhibit Number 13.   The top of Exhibit

2   13 is "Contributors to LBRYIO/LBRY GitHub".

3   Do you see that?

4   A   Yes.

5   Q   And have you ever seen a printout like

6   this before?

7   A   I am familiar with this.

8   Q   All right.

9   A   And this type of work.

10   Q   And so the -- is this a repository on

11   GitHub, the LBRY?

12   A   Yes.   This is repository for the LBRY

13   software daemon.

14   Q   And the sort of different components

15   of the sort of digital decentralized

16   distribution, do they have -- are there -- how

17   many repositories are there for LBRY software?

18   A   I would -- I would guess if you pulled

19   up our GitHub, there's probably over 50

20   repositories; but in terms of how many

21   repositories are actually related to the LBRY

22   protocol itself -- but -- so also there's a

23   long-tail effect here.   You end up throwing up a

24   repository for some small projects, three days

25   and you don't -- you don't come back to it, but

42

1   there's probably a couple. Maybe three

2   repositories or four that would be considered to

3   be the core part of the protocol.

4   Q   And what are those core parts?

5   A   LBRY CRD, the blockchain software.

6   LBRY, the one we're looking at now, which is --

7   we -- we -- this is -- we've actually switched to

8   calling this the LBRY SDK, but it's still a

9   daemon. We just thought that it was confusing to

10   call it just LBRY. So this LBRY SDK, this

11   contains the data network implementation. It

12   also bundles another project called Torba, which

13   is the wallet implementation. And then, I would

14   consider wallet servers themselves, which is yet

15   another repo, to be also a core part of the

16   protocol. It's -- and another core part of the

17   protocol would be the types repo, which specifies

18   the metadata structures that are embedded within

19   the LBRY blockchain.

20   Q   How many was that?

21   A   That was five.

22   Q   Five. So the date on here is August

23   16, 2015. Do you see that?

24   A   Yes.

25   Q   All right. Does that refresh your

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

49

1   significant contributions to the LBRY daemon?

2   A   Yes.

3   Q   Number 9 is Alex Leibowitz.

4   A   Yes.

5   Q   Do you believe that he's made

6   significant -- who is that?

7   A   He was a programmer who worked for us

8   for a short period.

9   Q   And do you believe that Alex has made

10 significant contributions to LBRY daemon?

11   A   Maybe it would -- it would be helpful

12 to define the word "significant", in terms of --

13 we're getting to the threshold of the -- of what

14 may be the answer is no.

15   Q   Well, what do you believe

16 "significant" means?

17   A   I mean, if I were to argue that every

18 meaningful change is significant, we could

19 probably go through most of these people, and

20 most of these people have made a meaningful and

21 useful change. So -- but if you were using

22 "significant" to judge relative contributions,

23 that is, contributions below a certain percentage

24 of the total activity that happened, we're

25 starting to approach people whose percentage of

50

1   contributions would not be that large. That

2   doesn't mean they weren't helpful or meaningful.

3   Q   Why don't we use the sort of -- the

4   second understanding of significant, in terms of

5   relevant -- or, like, the percentage of their

6   contribution to the LBRY daemon.

7   A   I would guess that, basically, no one

8   else on this list at this point would have made

9   -- maybe I'll say the word -- "substantial"

10   contributions.

11   Q   With respect to Exhibit 14, it's

12   another GitHub contributors list?

13   A   Yes.

14   Q   This one is for a different

15   repository, I believe. "LBRY-Desktop", do you

16   see that?

17   A   Yes. This is our graphical desktop

18   application.

19   Q   And what is that?

20   A   This is an application that you can

21   install on your desktop computer, so I use that

22   word to mean a computer that runs Linux, MacOS or

23   Windows.

24   Q   And was the desktop application

25   created by LBRY?

51

1   A   Yes.

2   Q   Looking at the list of contributors.

3   The Number 1 here is a John Yesmunt?

4   A   Yep.

5   Q   And do you know who that is?

6   A   Yes, he's our lead desktop application

7   developer.

8   Q   What are his responsibilities?

9   A   He develops the LBRY desktop

10   application.

11   Q   Does he work with anybody else at LBRY

12   to do that?

13   A   I -- he works with an intern, he works

14   with me, and he works with a couple other members

15   on -- that are doing other applications; but, you

16   know, some people are cross-functional and will

17   jump in and out of projects.

18   Q   And has Sean made a substantial

19   contribution to the LBRY desktop application?

20   A   Yes.

21   Q   And just running down the list, I see

22   that you're listed as Number 3.

23   A   Yes.

24   Q   Would you say that you've made a

25   substantial contribution to the LBRY desktop

61

1   are back on the record.

2   MR. VITO: So, Jeremy, I'm just

3   trying to understand GitHub a little better

4   because I -- we're not engineers and we

5   don't pretend to be.

6   But presumably, there's some

7   amount of code that LBRY has an interest in

8   protecting because it developed it. And

9   having a sort of open-source environment

10 where anybody can change the code would

11 seem like a -- a security risk on some

12 level. You know, you could think of a

13 scenario where a hacker goes in and figures

14 out a way to skim off LBRY credits, and

15 implements it into the code.

16   So how does that get handled,

17 you know, in this sort of GitHub

18 environment? If there's a changing code,

19 is it immediately implemented into the

20 application?

21   THE WITNESS: No.

22   MR. VITO: And can you explain

23 how that works?

24   THE WITNESS: Any member of the

25 public, anyone with a GitHub account can

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

62

1   essentially propose a code change.   And

2   then, those changes are reviewed by a

3   member of the team that is responsible for

4   that specific repository.   And then, they

5   are either accepted and merged in, or

6   rejected until fixed or just rejected

7   outright.

8   MR. VITO: So who are the

9   members of the team that -- I guess, it

10   would be better to pick a specific

11   repository.   So let's just use the daemon,

12   I guess.

13   THE WITNESS: Sure.

14   MR. VITO: So who on that

15   repository can review the code?

16   THE WITNESS: Anyone -- anyone

17   can review the code.

18   MR. VITO: I guess -- okay.   So

19   I'll ask a better question.   I apologize.

20   Who can accept or reject changes

21   to the code?

22   THE WITNESS: It varies by

23   repository.

24   MR. VITO: So with respect to

25   the daemon repository, who can?

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

63

1   THE WITNESS: I believe that

2   myself, Alex Grin., Lex Berezhny, Jack

3   Robinson and Victor Shaba can all do that.

4   There may be more people who have the

5   technical ability.   Really, it would only

6   be four people who would ever be candidates

7   to actually do it.   Maybe it's more than

8   that, but the -- it typically would be Lex,

9   Jack or Victor.   Occasionally, Alex.

10   MR. VITO: So just to -- so that

11   I understand better.   A member of the

12   community provides a proposed code change.

13   It goes to one of those individuals.   What

14   is the actual process that needs to be done

15   in order to accept that change?

16   THE WITNESS: So there's

17   typically a checklist of things that you

18   might review.   Does the code comply with

19   the code standards for that repository?

20   Does it appear to be valid code?   Does it

21   include tests, so that it can be tested in

22   the future in a non-native fashion?   Things

23   like that.

24   MR. VITO: And let's say it

25   passes all those checks.   How does it,

64

1   then, get implemented into the actual

2   daemon?

3   THE WITNESS: You issue a

4   command that does that.

5   MR. VITO: And where does that

6   command get issued to?

7   THE WITNESS: It can be done on

8   the command line of anyone with the proper

9   permissions.   It can also be done in the

10   user interface of GitHub.

11   MR. VITO: So how do you --

12   where are the permissions set?   Are they

13   set on GitHub?

14   THE WITNESS: They're set --

15   they're set in -- I think they're

16   technically set in Git itself, and not on

17   GitHub.

18   MR. VITO: Okay.   And who sets

19   the permissions?

20   THE WITNESS: Our CTO is the

21   person who would ultimately have the

22   authority to designate who can and cannot

23   merge, or commit to certain repositories.

24   MR. VITO: Understood.

25   BY MR. MOORES:

65

1   Q   Are the proper -- or who has the

2   permissions listed on GitHub for each repository?

3   A   Could you repeat or rephrase?

4   Q   Sure.   You talked about: There are

5   people who have the permission to accept changes

6   to the code in the repository?

7   A   Uh-huh.

8   Q   The people who possess that

9   permission, are they listed in GitHub?

10   A   I -- I know that they're listed for me

11   in GitHub.   I do not know if they are visible to

12   people outside the organization or not.   They may

13   be.

14   Q   Where are they listed for you?

15   A   I believe if -- in the settings area

16   of the repository, I can see it, but I -- I'm

17   fairly confident the settings is not an option;

18   but it may be listed elsewhere.   I just don't

19   know.

20   Q   So GitHub, if you go to one of the

21   repositories, there's a number of file folders --

22   or there appears to be, like, a file folder and a

23   number of other files.   Is there one that's just

24   sort of labeled permissions?

25   A   No.

103

1   A   Well, you can't use the network

2   without token.

3   Q   Why was it important to get it in

4   their hands prior to the network launch? So

5   presale is prior to the network launch?

6   A   Sure. It's generally useful as a

7   business tech -- if I, as a business, can have

8   customers ready for my business in advance of the

9   business be open, that seems beneficial.

10   Q   When the network launched, was the

11   application available to any user who wanted it?

12   A   I do not know what you mean by "the

13   application".

14   Q   LBRY application.

15   A   What is the LBRY application?

16   Q   Let's talk about how a user would

17   interact with the LBRY protocol.

18   A   In July, when the blockchain launched,

19   users could use the LBRY network, via the command

20   line. And I believe there was a very rudimentary

21   UI, basically, at that time -- I think at the

22   time of launch, there was a basic UI, but I'm not

23   -- I'm not positive.

24   Q   So user interface, is that what UI

25   stands for?

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

119

1   Q   Was that campaign in effect in June of

2   2018?

3   A   I do not recall the exact date on

4   which that program started.

5   Q   I didn't ask when it started.

6   A   Oh. The question was?

7   Q   Was it ongoing in June of 2018?

8   A   In June of 2018, was the YouTube

9   program live? I believe so.

10   Q   Was it live in July of 2018?

11   A   Yes. Once it went live, it's never

12   gone not live.

13   Q   And what is the YouTube program?

14   A   The YouTube program invites YouTubers

15   to sync their content to the LBRY network.

16   Q   And what incentives are provided to

17   those YouTubers?

18   A   We give them tokens, LBRY tokens, LBRY

19   credits.

20   Q   Why do you give them LBRY credits?

21   A   So that they have credits to use on

22   the network, and to appreciate their

23   contribution.

24   (SEC Exhibit No. 48 was

25   marked for identification.)

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

128

1   did.

2   MR. VITO: Do you know if the

3   tool grabs your archives, as well as what's

4   in the Gmail web client?

5   THE WITNESS: Yeah, I'm a -- I

6   keep my inbox pretty trim, so I'm sure you

7   got the archives.

8   MR. VITO: And then, your

9   archive practice, is that within Gmail or

10   is it on a hard drive somewhere?

11   THE WITNESS: No, just put it in

12   Gmail.

13   MR. VITO: Okay.

14   BY MR. MOORES:

15   Q   So looking back at the Exhibit 48,

16   page ending 62. "Business Model", second

17   paragraph. The sentence that reads, "Each

18   percentage of the currency can be thought of as

19   having a value proportional to the sum of all

20   information transacted through the network".

21   Can you explain what your

22   understanding of that sentence means?

23   A   I believe that sentence is saying that

24   the currency's value is proportional to the usage

25   of the network.

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

129

1   Q   And with respect to LBRY, is currency

2   LBC?

3   A   I believe the word "currency" is

4   referring to LBC, yes.

5   Q   And information transacted through the

6   network, is that digital content on the LBRY

7   protocol?

8   A   Yes, all -- I mean, all -- all -- it's

9   -- yes.

10   Q   And does that -- is that true for free

11   content, as well as content that one has to pay

12   for?

13   A   I believe that using the network for

14   free content does still increase the usefulness

15   and value, yes.

16   Q   The second sentence of the next

17   paragraph -- well, I'll read the first paragraph.

18   "Given the situation, the most reasonable path to

19   profit is to reserve a portion of the

20   cryptocurrency."   Does that mean LBC?

21   A   Yes.

22   Q   "Early adopters of LBRY and LBRY,

23   itself, deserve more compensation to compensate

24   for their commensurate risk." Do you see that?

25   A   Yes.

153

1   Q   What does "beta open, mean, or --

2   A   I -- that's an awkwardly-phrased

3   sentence that makes me uncertain, as to what it

4   would mean specifically, but I would -- it says

5   we have 1,000 users in July of 2016.

6   Q   So to better use the phrase "open

7   beta"?

8   A   We have used that phrase in the past,

9   yes.

10   Q   And what does that refer to?

11   A   That would be a beta that's generally

12   available to the public.

13   Q   And is that different from a closed

14   beta?

15   A   Yes.

16   Q   And what is a closed beta?

17   A   A closed beta is one that you have to

18   have some kind of invite or permission to -- to

19   run.

20   Q   And in July of 2016, was the beta that

21   was available a closed beta or an open beta?

22   A   Well, remember that LBRY is not one

23   thing. I believe in July 2016, for example, all

24   of the -- the command-line software was

25   completely open, and the graphical software was

154

1   in closed beta at that time.

2   Q   So the GUI, the GUI graphical-user

3   interface would have been -- well, I'm not sure

4   there was actually a GUI; but the user interface

5   in July of 2016 was in closed beta?

6   A   The non-graphical interface would have

7   always been Runnable by our technical users,

8   because all the code was always open and there

9   were instructions on how to run it.

10   Q   So the graphical-user interface, the

11   GUI, was in close beta in July of 2016; is that

12   correct?

13   A   Yes. The only projects we ever had in

14   a closed beta were graphical applications. To my

15   recollection, the only project we ever had was

16   closed beta.

17   Q   And the business model, when it talks

18   about "At scale" --

19   A   Yes.

20   Q   -- did that contemplate technical

21   users, or non-technical users?

22   A   That would contemplate non-technical

23   users.

24   Q   I notice that you, once again, list

25   the team here at the end of the pitch deck.

184

1   marked as Exhibit Number 50. It is a

2   multiple-page document. It does not have a Bates

3   number. And on the top margin, it says, "Answers

4   to the big questions from our Reddit AMA LBRY".

5   Do you see that?

6   A   Yes.

7   Q   What is Reddit?

8   A   Reddit is a -- they call themselves

9   the front page of the internet. It's like a

10   social site for sharing links and texts.

11   Q   And what is an AMA?

12   A   AMS stands for "ask me anything".

13   Q   And did LBRY, over time, do AMAs?

14   A   I believe we have done a couple of

15   AMAs over time.

16   Q   What's the purpose of doing an AMA?

17   A   To let -- to check -- to get

18   publicity. And it's a chance for people to ask

19   questions, and for you to answer them. And

20   presumably, that interaction is of interest to

21   both the questioners and other people.

22   Q   And this post appears to be done by

23   Mike Vine on September 28, 2016.

24   Do you see that?

25   A   Yes.

186

1   Q   And it says midway through the

2 paragraph, "LBRY, Inc., has reserved 10 percent

3 of all LBRY credits to fund continued development

4 and provide profit for the founders".

5   Do you see that?

6   The next sentence reads, "Since

7 credits only gain value as the use of the

8 protocol grows, the company has an

9 incentive to continue developing this

10 open-source project".

11   Do you see that?

12   A   Yes.

13   Q   The second sentence -- the "Since

14 credits only gain value" sentence, is that

15 something you agree with?

16   A   It seems like -- reasonable.

17   Q   Reasonable for you to agree with it?

18   A   I believe that credits gain value as

19 the use of the protocol grows.

20   Q   And that growth creates an incentive

21 for the company to continue developing the

22 project?

23   A   I believe that that's true.

24   Q   The -- there's a couple of bullet

25 points under that initial paragraph, and it's

188

1   Q   "Our goal is to increase the long-term

2   value of the protocol, which if adopted globally,

3   will make our reserve many times more valuable

4   than any short-term bubble."

5   Do you see that?

6   A   Yes.

7   Q   Do you agree with that sentence?

8   A   I believe that if we achieve the

9   long-term potential of this project, the credits

10 would be more valuable than they've ever been

11 worth.

12   Q   The second paragraph on this page

13 says, "We are also exploring ways to generate

14 revenue above our credit reserve, including

15 providing value-added services to LBRY users

16 and/or consulting to large-content producers that

17 want to harness LBRY". Do you see that?

18   A   Yes.

19   Q   Has LBRY disclosed that it was

20 exploring ways to generate revenue in any other

21 way besides the credit reserve in different

22 documents?

23   A   I cannot think of a specific document,

24 but it wouldn't surprise me if this had been

25 acknowledged in other places.

195

1   did you draw -- sorry, strike that.

2   Did you understand that people

3   were buying LBC for speculative or

4   investment purposes in 2016?

5   A   I never had concrete knowledge that

6   people were doing that, but I believe that people

7   were doing that.

8   Q   What would have been concrete

9   information in your mind?

10   A   Hard evidence that someone was taking

11 such action.

12   Q   Such as?

13   A   Perhaps a -- a record of trades or

14 transactions.

15   Q   So if there's statements on Reddit,

16 Facebook, Twitter or any other messages sent

17 directly to the company would not have been

18 sufficient evidence?

19   A   I wouldn't consider that to be hard

20 evidence, but it's evidence.

21   Q   So what type of evidence of trades

22 would be sufficient for you to under -- to

23 believe that someone was investing in LBC?

24   A   I'm -- I'm not sure what you mean.

25   Q   So I asked you if you had -- one of

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

217

1   Q   And was there a sort of cap on the

2   amount of LBC --

3   A   I really don't --

4   Q   -- that you were going to sell?

5   A   I don't think any -- no actual -- none

6   of these deals ever got very far. I don't think

7   any of them ever came to the point of even actual

8   -- specific with those terms.

9   Q   Did you have a conversation with Josh

10   Finer in 2016 about an investor who was willing

11   to spend 10,000 U.S. dollars to buy LBC?

12   A   I do not recall a conversation in 2016

13   about a specific investor interested in

14   purchasing $10,000 worth of LBC, other than

15   ShapeShift.

16   Q   And how much did ShapeShift pay?

17   A $10,000. That's why I wanted -- I

18   just wasn't sure if you were referring to that

19   one.

20   Q   And what price did ShapeShift pay for

21   each LBC?

22   A   10 cents.

23   Q   And what day did that deal go down; do

24   you know?

25   A   No.

333

1   Q   So did you look at anything in order

2   to make that decision?

3   A   We thought that the price was at a

4   price that we thought it was a good idea to sell.

5   Q   Is there any other factor besides the

6   price?

7   A   I believe the primary factor in

8   choosing the timing, as to why we did it in

9   November, versus December, versus January, versus

10 any other number of months was that we felt like

11 it was a good time.

12   Q   Okay. And then, LBRY stopped selling

13 LBC in January 20, 2018; is that correct?

14   A   That appears to be correct.

15   Q   And why did LBRY stop selling LBC at

16 that time?

17   A   It seemed like we had enough money for

18 several years of operation, so as -- as we've

19 always said, we are -- you know, we believe in

20 the future of this company. And so I believe

21 that it's possible that that asset will be even

22 more valuable to the company in the future. So

23 it seems like we had enough money to continue to

24 operate, why sell more.

25   MR. VITO: The Flipside Crypto

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

350

1   performs that distribution is not part of the

2   protocol. Right. That's our private server

3   running somewhere.

4   Weekly-active users are counted

5   as users that appear in the access table,

6   and so that's why I was saying that in order to

7   appear in the axis table, you're going to have to

8   take a discrete action that call it an access;

9   that could be reviewing a file, could be claiming

10   an reward.

11   There's some other things that could

12   cause it, but they're all going to be taking

13   activity in the app.

14   Q   So all of those activities, are they

15   defined or listed somewhere?

16   A   I do not think they are -- their

17   effectively defined in the code. I don't think

18   they're explicitly enumerated somewhere.

19   MR. VITO: When LBRY takes an

20   activity -- so, for example, publishing a

21   bunch of YouTube videos, right -- where do

22   those credit -- how do they get expended?

23   THE WITNESS: So we take -- we

24   spend from our community wallet, and then

25   for each to -- like, for each YouTuber, we

351

1   create a distinct wallet file for that

2   YouTuber.

3   MR. VITO: You create a wallet

4   file for the YouTuber -- the actual person?

5   THE WITNESS: Yes.

6   MR. VITO: Do they have access

7   to it?

8   THE WITNESS: So they had --

9   yes.   They have to send us an e-mail, and

10   then we can send it to them.

11   BY MR. MOORES:

12   Q   So when the YouTube synchronization

13   program sort of involved mirroring YouTube

14   channels on LBRY -- is that right?   LBRY block

15   protocol?

16   A   I would just -- to be specific, it's

17   basically -- it's republishing -- it's that

18   content creator republishing their content to the

19   LBRY network that they also published to YouTube.

20   Q   And is that an automated process, or

21   does the publisher have to specifically go into

22   the LBRY application and, like, publish any of

23   their, you know, weekly YouTube videos?

24   A   They can -- they do not have to open

25   the application to participate in the YouTube

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

352

1 program. They do have to open the application to

2 collect their reward.

3   Q   When they're -- so let's just say Joe

4 -- Joe has a YouTube channel and he weekly

5 publishes on YouTube a new video.

6   A   Yes.

7   Q   When Joe publishes a YouTube video on

8 Saturday, does that YouTube -- sorry -- does that

9 digital content that Joe created get published to

10 LBRY's protocol on Saturday at the same time?

11   A   We try to do it as fast as possible.

12 It always happens within 24 hours.

13   Q   When you say "we", you mean LBRY,

14 Inc.?

15   A   We, LBRY, Inc., yeah.

16   Q   And does that -- Joe's LBRY account

17 pop-up in the API when that happens?

18   A   No.

19   So these YouTube publishing, they

20 won't drop in here at all. Unless that YouTuber

21 specifically opened the app themselves, it's not

22 going to be counted in this table. This has to

23 be people actually opening their graphical UI.

24   Q   So -- and when Joe says -- "Okay, I

25 just published a YouTube video on Saturday. I

[6/13/2019 9:10 AM] KAUFMAN_JEREMY_20190613

353

1   know within 24 hours, it's going to hit the LBRY

2   protocol. At that point, LBRY's going to provide

3   me with LBC in my account." Is that right?

4   A   They get the LBC essentially in the --

5   I don't know if it's -- I think it's a yearly

6   lump sum.

7   We wanted to switch to monthly, but I

8   think it's just a yearly shot. So they just get

9   what we promise.

10   Q   So they just get, like, one big lump

11   sum annually?

12   A   Yeah.

13   MR. VITO: I'm sorry. I don't

14   fully understand. Does Joe the YouTuber

15   know that he's getting that sum?

16   THE WITNESS: Yes.

17   MR. VITO: How does he know?

18   THE WITNESS: LBRY.com/YouTube

19   tells him what he will be getting.

20   MR. VITO: But does he -- if he

21   doesn't know about LBRY, does he know that

22   he's got some?

23   THE WITNESS: How does he know

24   -- how does he not know about LBRY if he

25   authorized to publish?